RAFTELIS

EPWater

Water & Wastewater Impact Fee Study

Agenda

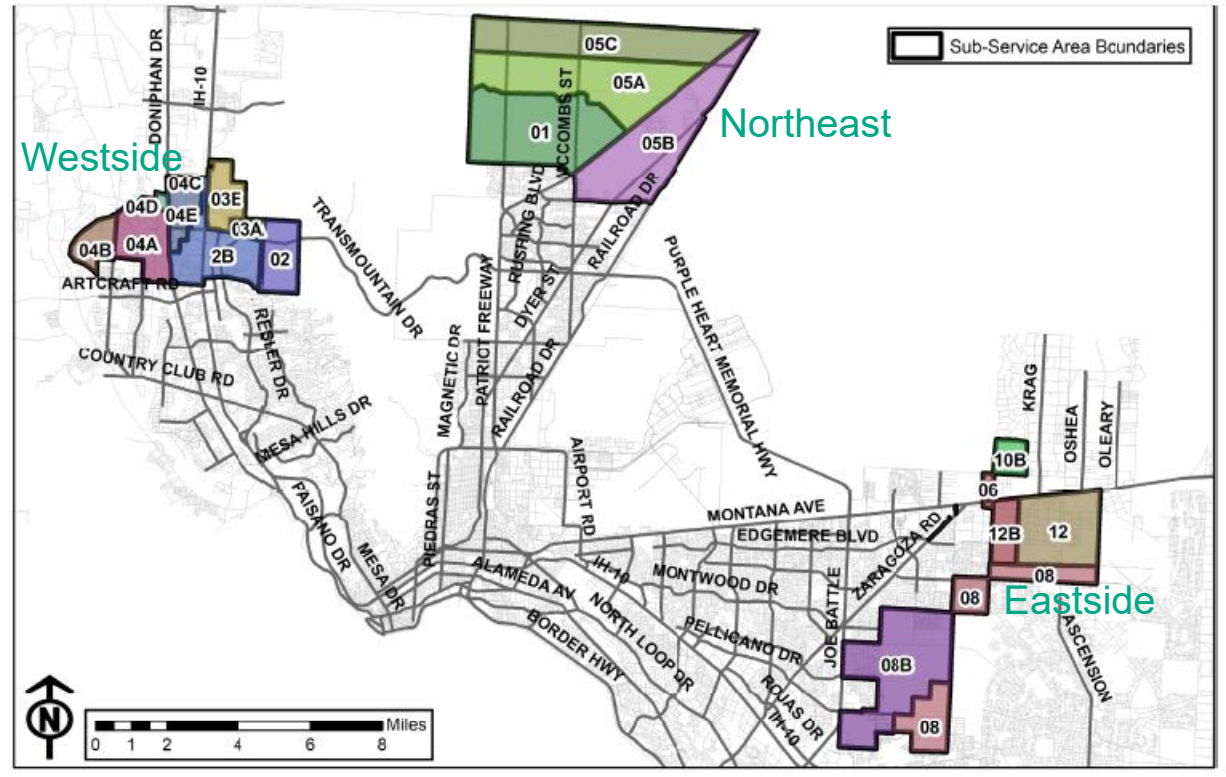
- Impact Fees
- Objectives & Requirements
- 2024 Impact Fee Results
- Trends Since 2009
- Calculated Fees & Community Benchmarks
- City Council Impact Fee Options
- Next Steps & Impact Fee Schedule

Impact Fees

What is an Impact Fee?

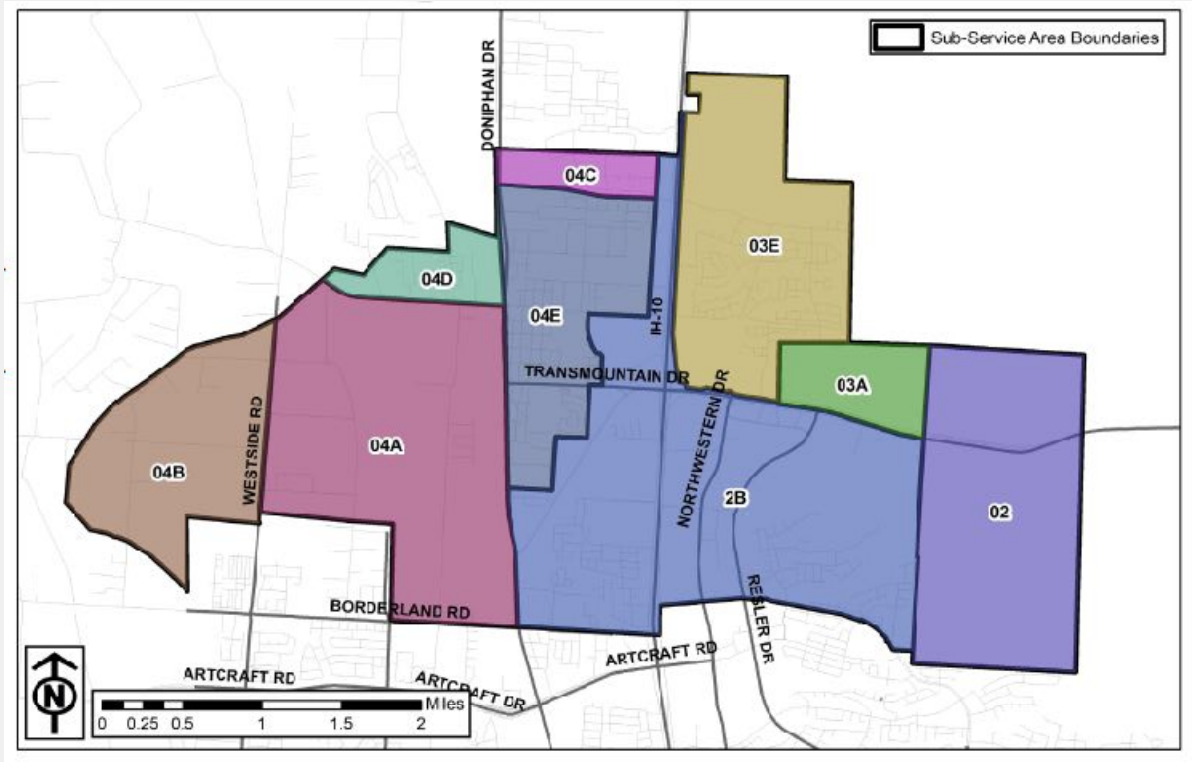
- A one-time, up-front payment levied on new or expanded development to fund water and wastewater infrastructure needed to serve new development areas.
- An additional funding source to fund a portion of capital costs due to new development and mitigates a portion of customer rate increases.
- Impact Fees in Texas are statutorily addressed in Chapter 395 of the Texas Local Government Code.
- Initially adopted by City Council in May 2009 and subsequently implemented, with no fee increase in 15 years.

Impact Fee Service Areas



- **The Impact Fees are only assessed and collected on these service areas.**

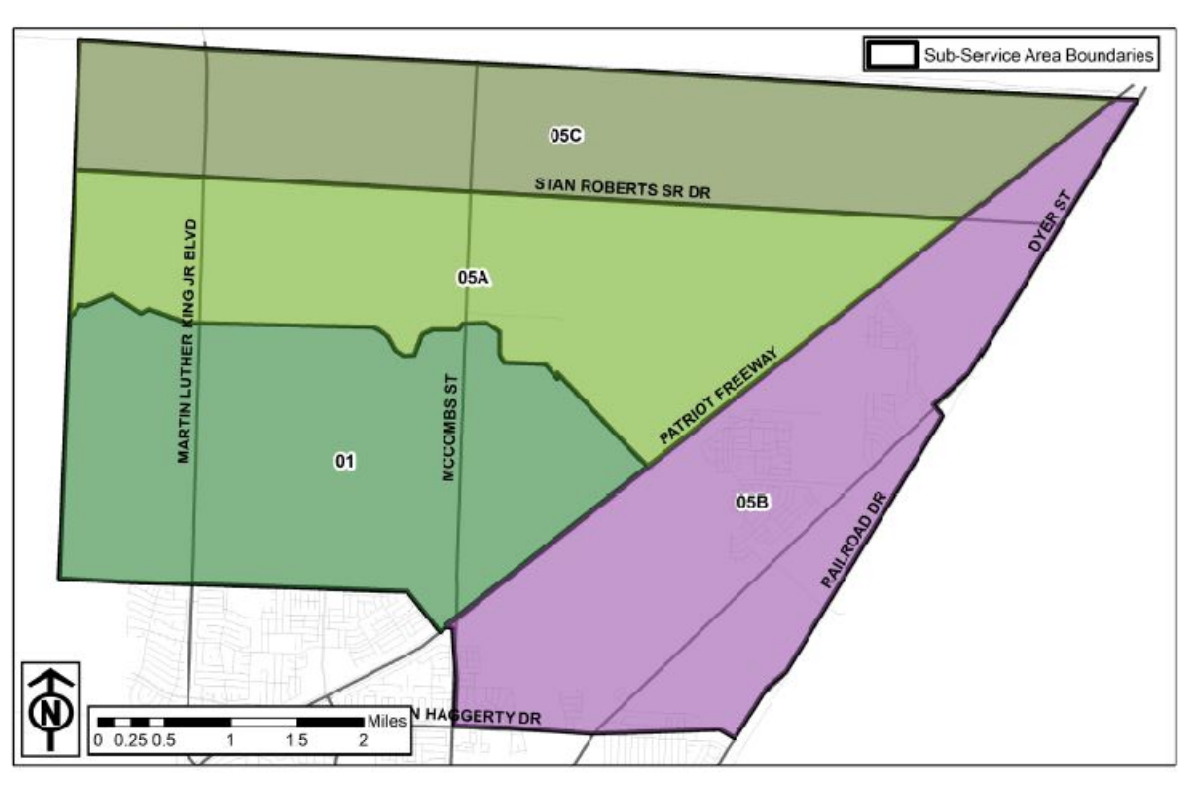
Impact Fee Service Areas



Westside

Generally located north of Borderland Road and Northern Pass Drive between the TX/NM state line and the Franklin Mountain State Park.

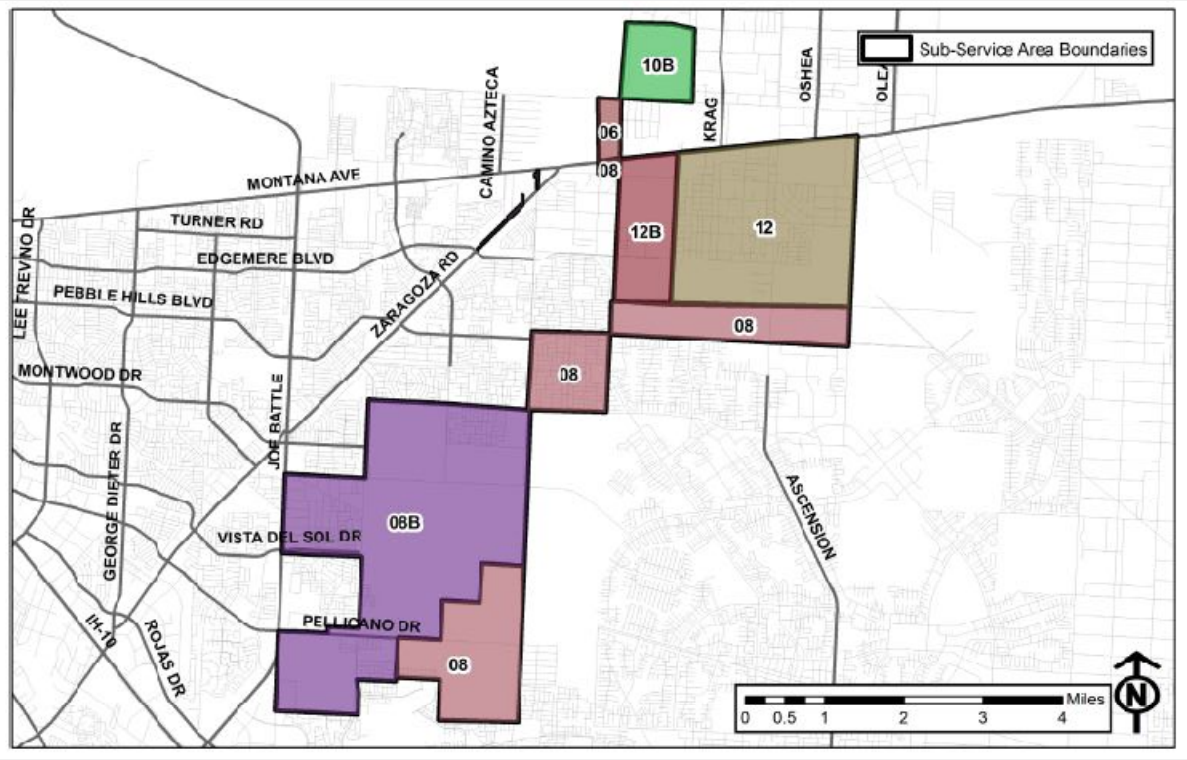
Impact Fee Service Areas



Northeast

Generally located north of Loma Real Drive and Angora Loop to the TX/NM state line between Fort Bliss and the Franklin Mountain State Park.

Impact Fee Service Areas



Eastside

Generally located east of Joe Battle Boulevard and Zaragoza Road to John Hayes Street and Century Drive.

Impact Fees

- Fees for the 2024 Impact Fee Study are made up of:
  - Water – Distribution, Supply and Treatment
  - Wastewater – Treatment and Collection
- Assessed based on meter sizes and service area when the meter is requested

Current Adopted Impact Fees			
Service Area	**Water**	**Wastewater**	**Total**
Northeast	$1,178	$291	$1,469
Westside	$659	$927	$1,586
Eastside	$697	$920	$1,617

The table above reflects the impact fee for meter sizes less than 1-inch; American Water Works Association (AWWA) meter capacity ratios are used to escalate the impact fee amount for each meter size (i.e., 1-inch, 1 ½ inch, etc.)

Eligible Impact Fee Costs

- Capital improvement construction or facility expansions:
  - Construction contract price
  - Surveying and engineering fees
  - Engineering and financial consultant costs
  - Land acquisition costs (including land purchases)
- Recovery of capital costs must be incorporated within the 10-year Capital Improvements Plan (CIP).
- It's important to note that these expenses cannot be utilized for operations, maintenance, or replacements.

Impact Fees

- $18M in revenues funding **12%** of the $150M total in project costs

Water Projects	
Project Name(Service Area)	**Project Costs**
North 2 Tank #2A (NE)	$5,951,989
Franklin East #1A (NE)	7,317,353
Montana East (E)	7,417,809
Eastside PSA Reservoirs (E)	9,367,306
Eastside Planned Service Area (E)	12,517,004
Montana East Supply Line (E)	6,916,675
Jonathan Rogers WTP Expansion (NE)	861,031
Jonathan Rogers WTP Expansion (E)	1,107,039
All Other Projects	23,044,854
Total	**$74,501,060**

Wastewater Projects	
Project Name(Service Area)	**Project Costs to Date**
Dyer/RR Interceptor (NE)	$6,193,830
NE Franklin Service Area (NE)	6,023,603
Mowad-Westway Interceptor (W)	4,382,619
Bustamante WWTP Expansion from 39 to 54 MGD (E)	19,132,387
Loop 375 East Interceptor System (E)	33,334,632
All Other Projects	5,954,048
Total	**$75,021,119**
Total Costs	**$149,522,179**

Northeast	
Water	2,428,773
Wastewater	546,189
Total Northeast	**$2,974,962**
Westside	
Water	2,562,241
Wastewater	3,293,004
Total Westside	**$5,855,245**
Eastside	
Water	$3,941,040
Wastewater	5,213,362
Total Eastside	**$9,154,402**
Total Collected	**$17,984,609**

Objectives & Requirements

Objectives

Chapter 395 Requirements

Highlight the methodology within the impact fee review process that is dictated by statutory requirements.

Land Use Assumptions

Recap how growth assumptions are used to forecast development within each of the three service areas.

Capital Improvements Plan

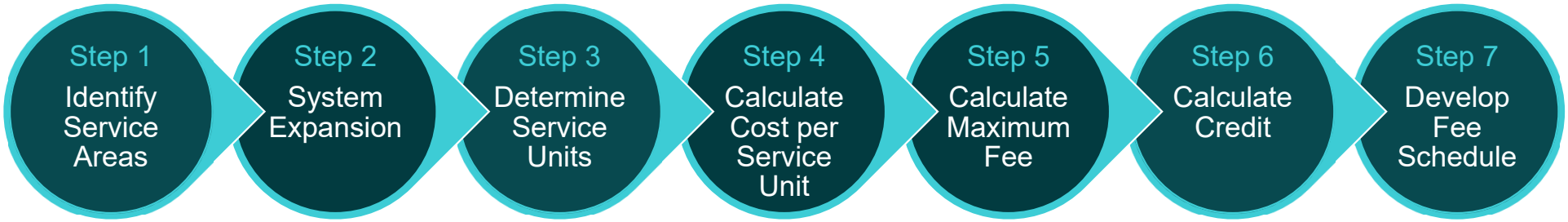
Highlight capital improvements projects, which equate to one of two primary cost drivers.

Impact Fee Calculation

Review the impact fee results by service area and facilitate PSB feedback to EPWater Staff.

Chapter 395 Requirements

Process Overview



- EPWater collaborates with the City's Planning Department to develop the Land Use Assumptions (LUA), which constitutes steps one and two.
- The additional forecasted demand from the LUAs is the driving factor for determining the 10-Year Capital Improvements Plan (CIP) through 2033 (step two).
- Raftelis utilizes the LUA and CIP to fulfill steps three through seven in our analysis.

CIAC Role

What is the role of The Capital Improvements Advisory Committee (CIAC)

1

Support City in adopting Planning Department's Land Use Assumptions (LUA)

2

Assess EPWater prepared Capital Improvements Plan (CIP) aligned with LUA.

3

Recommend updating or revising LUAs, CIP, and Impact Fees to the City based on identified needs.

Steps 1-2 listed above have been completed and supported by the CIAC as of November 30, 2023

Land Use and CIP

- Forecasted utility demand is derived from projected land use data covering ten years (i.e., through 2033).
- The anticipated growth in demand for each of the three service areas is the basis for determining the forecasted number of service units.
- To calculate the maximum impact fee, capital costs are allocated across the service units before initiating the credit calculations.

LUA 2024 through 2033

Description	Acres	Population (1)
Current and Future Development Through 2033		
Northeast	5,563	77,981
Westside	3,309	37,400
Eastside	5,441	56,530
Total	14,313	171,911
Existing Development		
Northeast	(1,999)	(21,671)
Westside	(3,005)	(29,842)
Eastside	(3,297)	(26,208)
Total	(8,301)	(77,721)
Future Development 2024 through 2033		
Northeast	3,564	56,310
Westside	304	7,558
Eastside	2,144	30,322
Total	6,012	94,190

*(1) 2023 and 2033 population calculated using Residential Service Units times 2.94 Persons per Household.

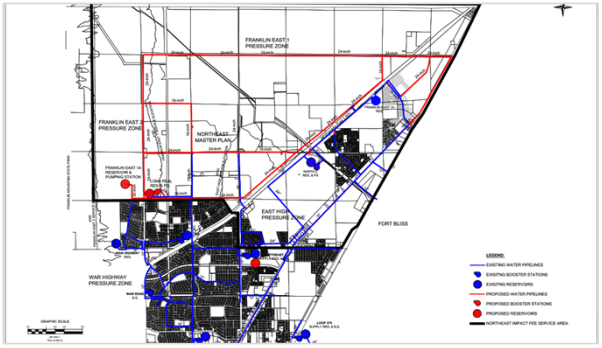
LUA 2024 Through 2033

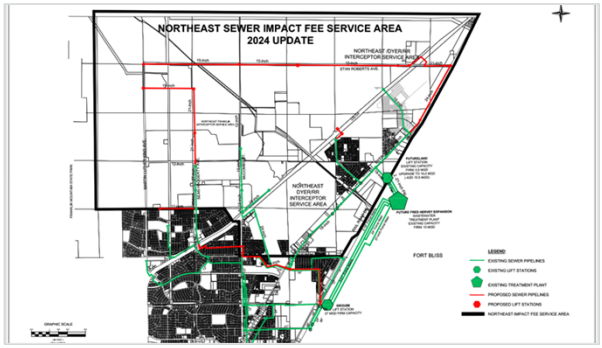
Description	Residential Service Units	Non-Residential Service Units	Total Service Units
Current and Future Development Through 2033			
Northeast	26,524	23,944	50,468
Westside	12,721	9,378	22,099
Eastside	19,228	8,611	27,839
Total	58,473	41,933	100,406
Existing Development			
Northeast	(7,371)	(5,438)	(12,809)
Westside	(10,151)	(5,960)	(16,111)
Eastside	(8,914)	(7,504)	(16,418)
Total	(26,436)	(18,902)	(45,336)
Future Development 2024 through 2033			
Northeast	19,153	18,506	37,659
Westside	2,570	3,418	5,989
Eastside	10,314	1,107	11,421
Total	32,037	23,031	55,070

*(1) 2023 and 2033 population calculated using Residential Service Units times 2.94 Persons per Household.

Northeast
Land Use Assumptions

Projected 10-Year New Service Units: 37,659



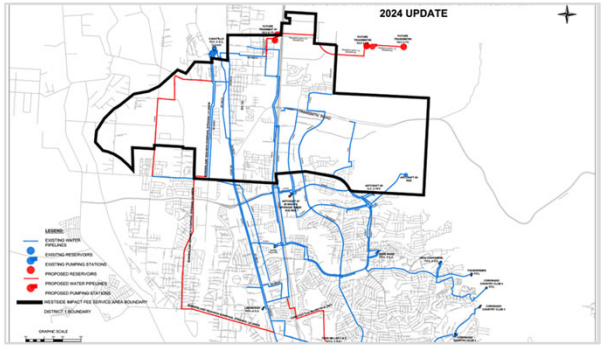


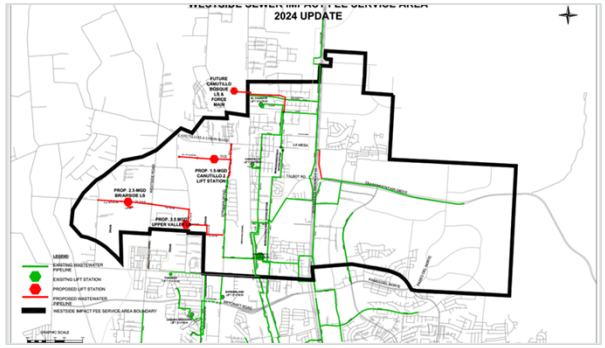
The charts for Water and Wastewater are available in Attachment A of the Impact Fee Study Report

- The charts feature projects from the 10-year Capital Improvements Plan (CIP) derived from Land Use Assumptions (LUA).
- LUA helps determine future demand or additional capacity needed for each project; based on additional capacity needs – the number of service units is calculated over a decade.
- Outlined below are the most expensive water and wastewater projects for the Northeast Service Area.
- For example, the Water Distribution Line Project (NE Franklin System for $37M) expands capacity by 28 Million Gallon per Day (MGD), serving 40,698 service units.
- Similarly, the Wastewater Collection System Project (NE Interceptor System for $27M) adds 5.38 MGD capacity, catering to an additional 15,777 service units.

Westside
Land Use Assumptions

Projected 10-Year New Service Units: 5,989





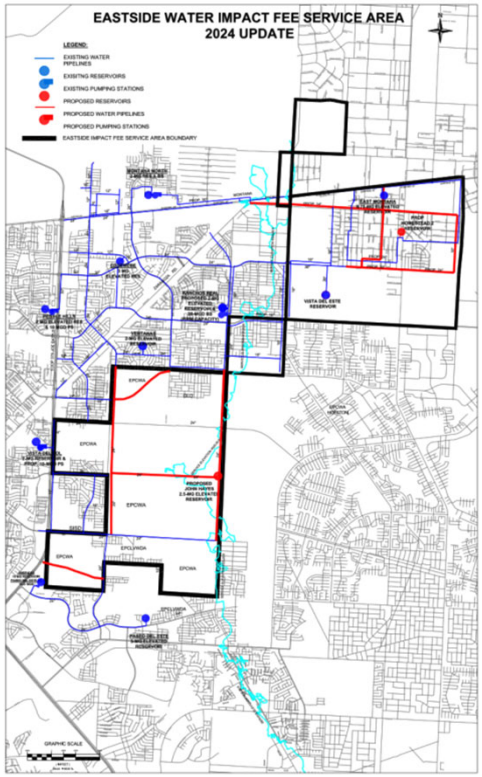
The charts for Water and Wastewater are available in Attachment A of the Impact Fee Study Report

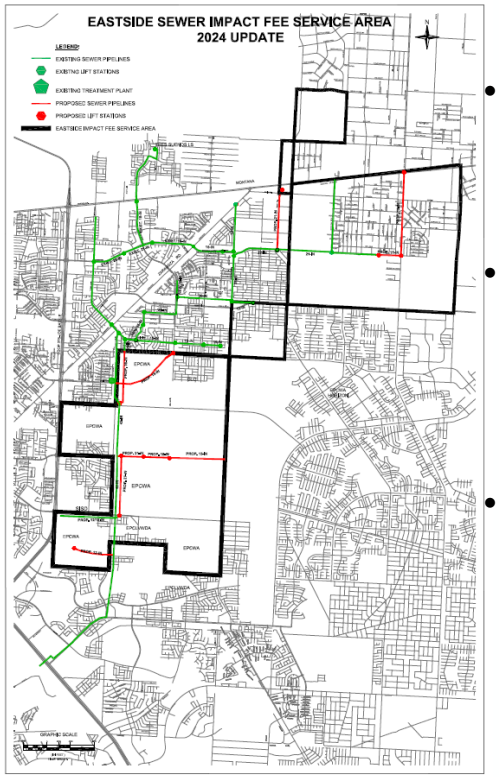
- Outlined below is the most expensive water and wastewater project for the Westside Service Area.

- For example, the Water Distribution Line Project (Upper Valley Borderland Phase 2 for $36M) expands capacity by 22 MGD, serving 31,977 service units.

- Similarly, the Wastewater Pumping & Force Mains Project (Upper Valley for $50M) adds 7.5 MGD capacity, catering to an additional 21,994 service units.

Eastside
Land Use Assumptions
Projected 10-Year New Service Units: 11,421





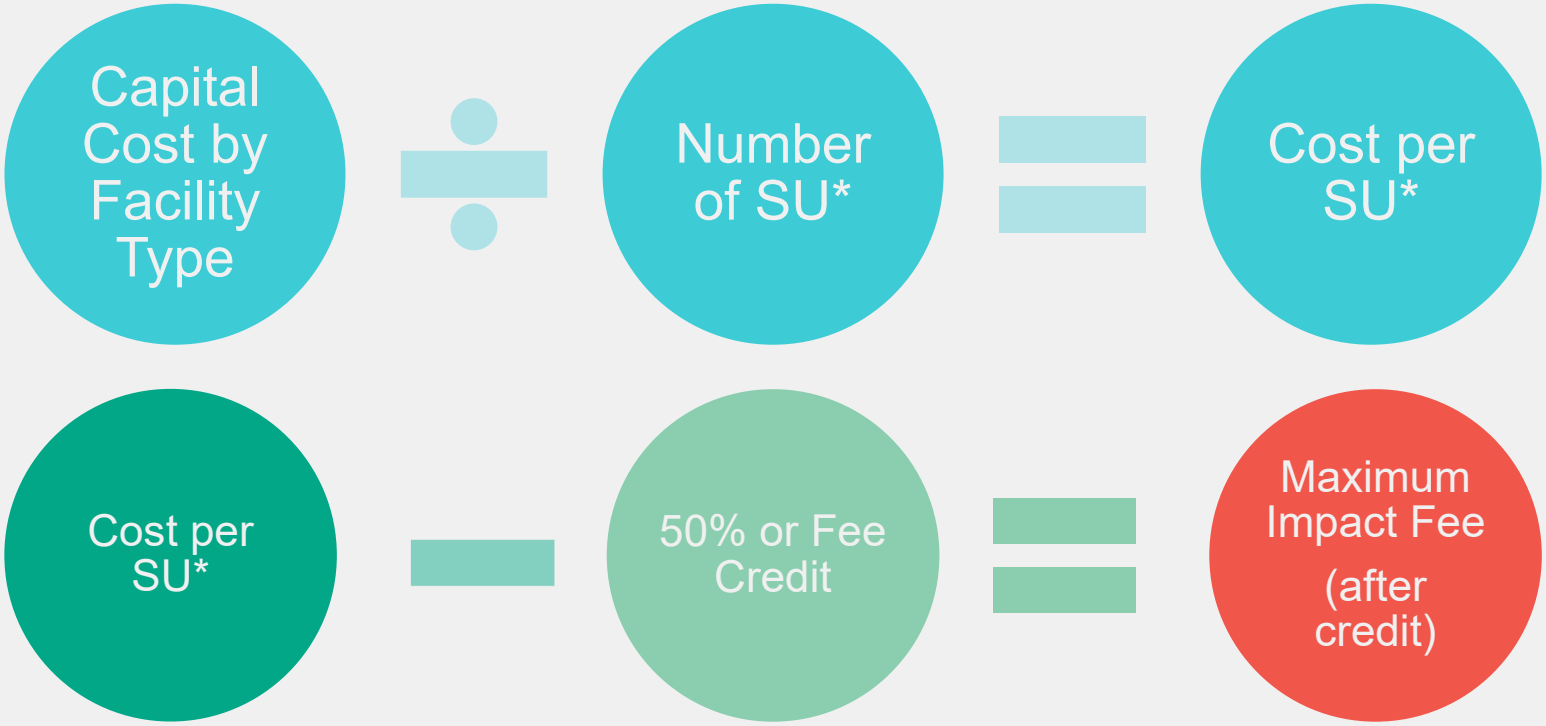
- Outlined below are the most expensive water and wastewater projects for the Eastside Service Area.
- For example, the Water Supply and Treatment Project (Advanced Water Purification Facility for $173M) expands capacity by 10 MGD, serving 14,535 service units.
- Similarly, the Wastewater Treatment System Project (Bustamante Treatment Plant for $605M) adds 12 MGD capacity, catering to an additional 35,191 service units.

The charts for Water and Wastewater are available in Attachment A of the Impact Fee Study Report

Updated 10-Year (CIP)

Service Area	Water	Wastewater	TOTAL
Northeast	$115,100,000	$ 42,300,000	$ 157,400,000
Westside	$140,100,000	$ 52,800,000	$ 192,900,000
Eastside	$266,500,000	$632,100,000	$ 898,600,000
TOTAL	**$521,700,000**	**$727,200,000**	**$1,248,900,000**

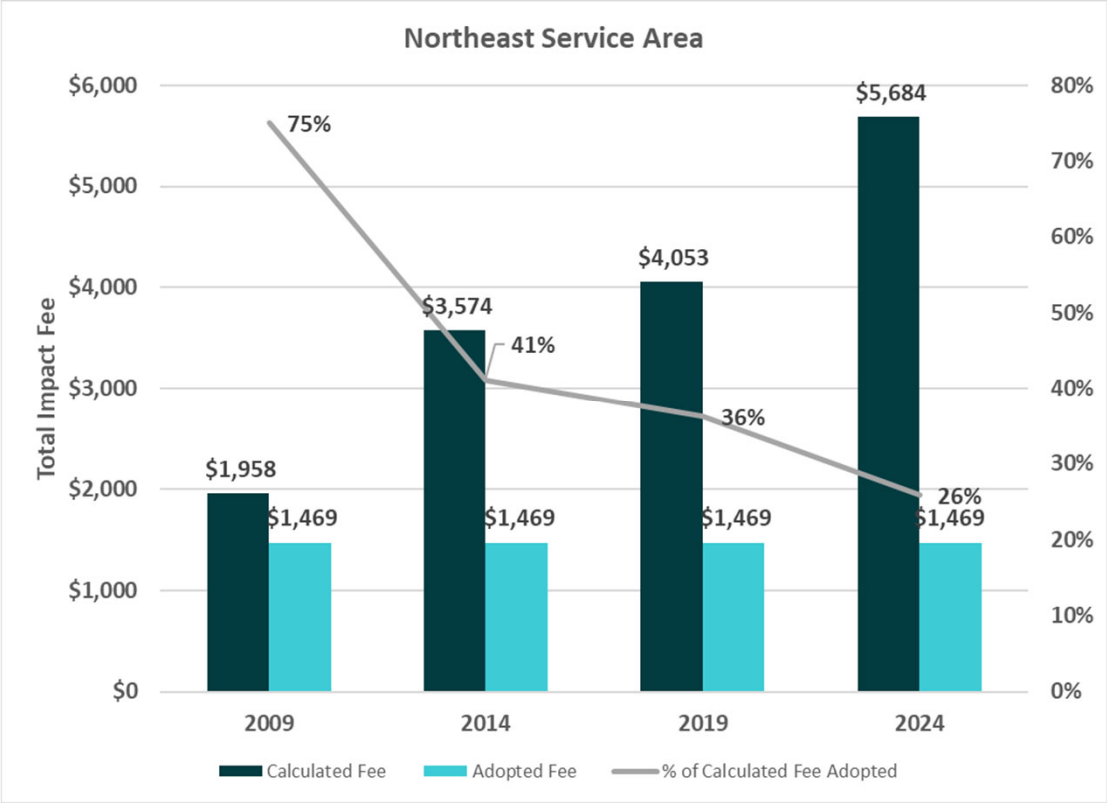
Maximum Fee Determination (after credit)



***Service Units –** based on forecasted system demand after factoring 10-year Land Use Assumptions

2024 Impact Fee Results

Northeast (including 2024)*



*Combined impact fee for water and wastewater

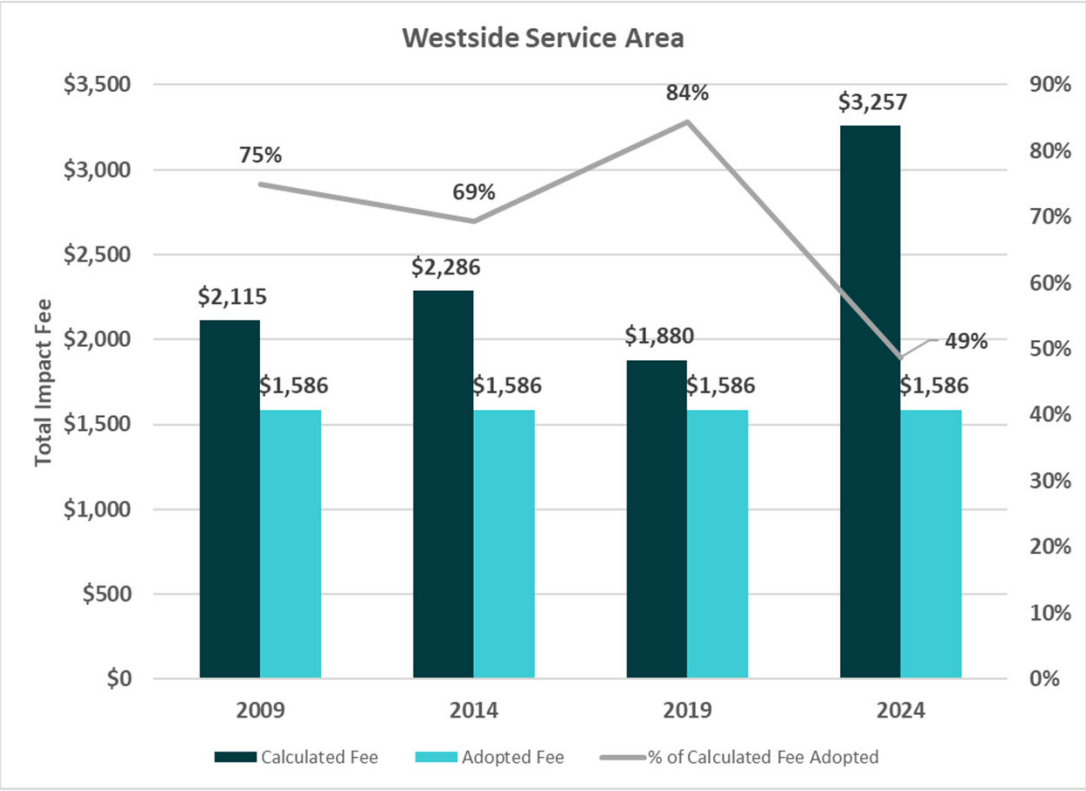
- The adopted Northeast Impact Fee has not changed since 2009. In 2009, the City Council adopted an impact fee at 75% of the calculated fee.
- The major water system cost drivers are associated with the Northeast portion of Distribution Line projects totaling $46M.
- The major wastewater system cost driver is the Northeast portion of the Pumping & Force Mains projects totaling $42M.
- If no new fee is adopted, the current impact fee would represent 26% of the 2024 calculated fee.

Northeast Impact Fees By Meter Size Compared

Northeast					
Meter Size	**Meter Capacity Ratio (1)**	**Percent of Customers City-Wide**	**Total Current**	**Total Calculated**	**Variance - $**
Less Than 1-inch	1.00	93.3%	$1,469	$5,684	$4,215
1-inch	1.67	2.5%	$2,453	$9,492	$7,039
1 1/2-inch	3.33	1.1%	$4,890	$18,928	$14,038
2-inch	5.33	1.4%	$7,827	$30,296	$22,469
3-inch	10.00	0.4%	$14,685	$56,840	$42,155
4-inch	16.67	0.4%	$24,480	$94,752	$70,272
6-inch	33.33	0.7%	$48,945	$189,448	$140,503
8-inch	53.33	0.0%	$78,315	$303,128	$224,813

(1) Reflects maximum safe operating water volume per AWWA M6 and increasing by meter size.

Westside (including 2024) *



*Combined impact fee for water and wastewater

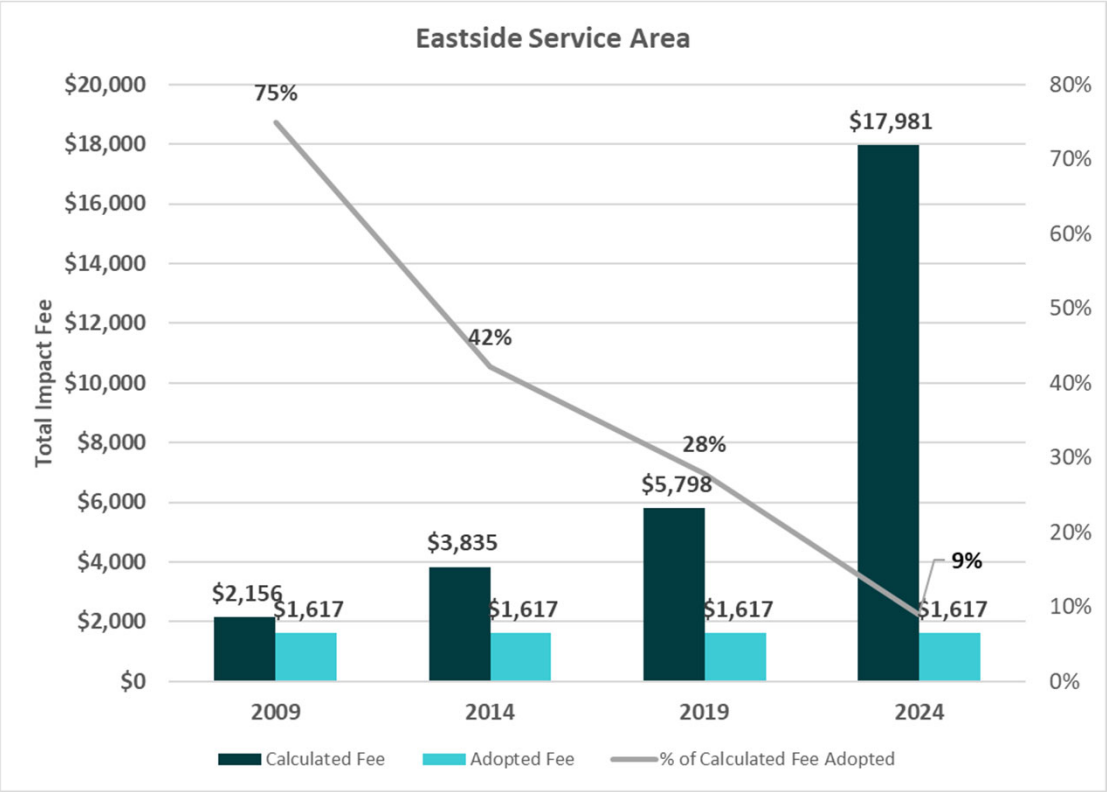
- The adopted Westside Impact Fee has not changed since 2009. In 2009, the City Council adopted an impact fee at 75% of the calculated fee.
- The major water system cost drivers are associated with the Westside portion of Distribution Line projects totaling $101M.
- The major wastewater system cost driver is the Westside portion of the Pumping & Force Mains projects totaling $50M.
- If no new fee is adopted for the Westside Service Area, the current impact fee would represent 49% of the 2024 calculated fee.

Westside Impact Fees By Meter Size Compared

Westside					
Meter Size	Meter Capacity Ratio (1)	Percent of Customers City-Wide	Total Current	Total Calculated	Variance - $
Less Than 1-inch	1.00	93.3%	$1,586	$3,257	$1,671
1-inch	1.67	2.5%	$2,649	$5,439	$2,790
1 1/2-inch	3.33	1.1%	$5,282	$10,846	$5,564
2-inch	5.33	1.4%	$8,455	$17,360	$8,905
3-inch	10.00	0.4%	$15,863	$32,570	$16,707
4-inch	16.67	0.4%	$26,443	$54,294	$27,851
6-inch	33.33	0.7%	$52,870	$108,556	$55,686
8-inch	53.33	0.0%	$84,595	$173,696	$89,101

(1) Reflects maximum safe operating water volume per AWWA M6 and increasing by meter size.

Eastside (including 2024) *



* Combined impact fee for water and wastewater

- The adopted Eastside Impact Fee has not changed since 2009. In 2009, the City Council adopted an impact fee at 75% of the calculated fee.
- The major water system cost driver is the Eastside portion of the Water Treatment System projects of $190M.
- The major wastewater system cost driver is the Eastside portion of the Bustamante WWTP project for $605M.
- If no new fee is adopted for the Eastside Service Area, the current impact fee would represent 9% of the 2024 calculated fee.

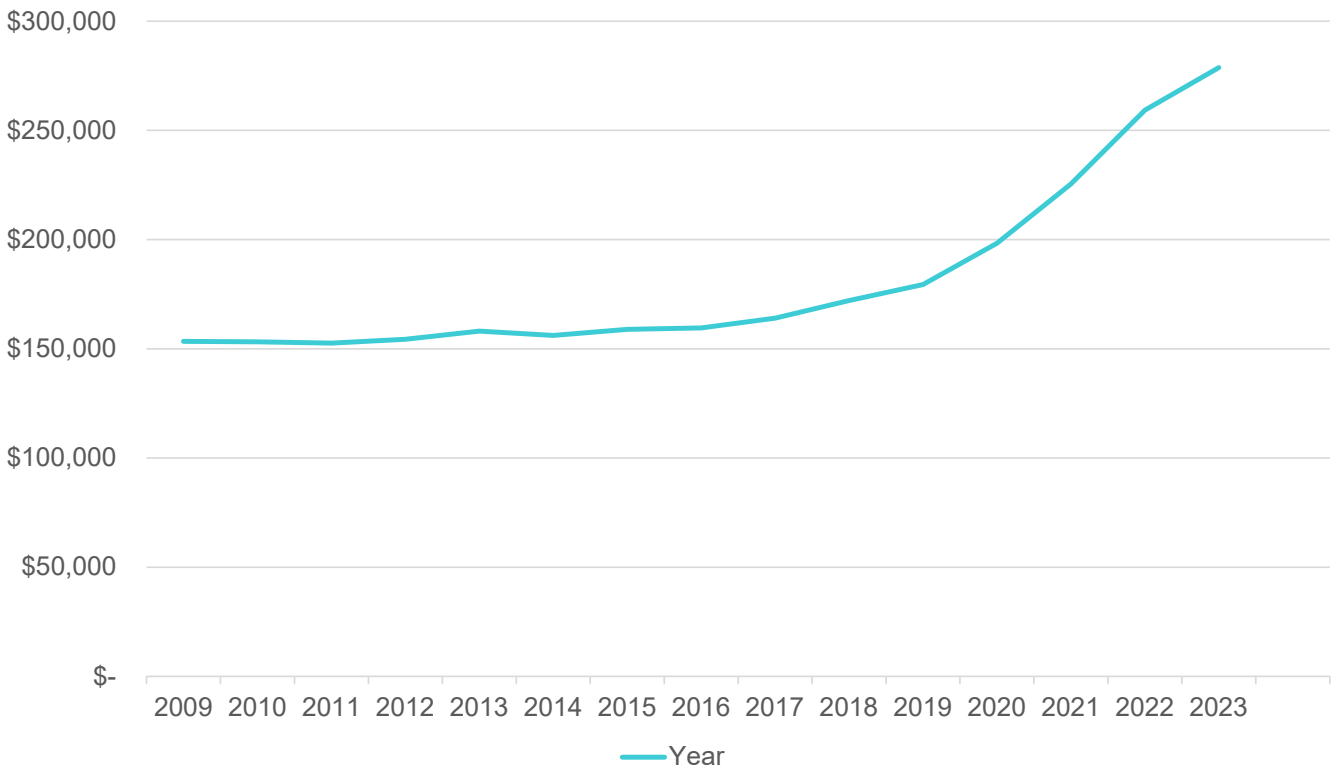
Eastside Impact Fees By Meter Size Compared

Eastside					
Meter Size	Meter Capacity Ratio (1)	Percent of Customers City-Wide	Total Current	Total Calculated	Variance - $
Less Than 1-inch	1.00	93.3%	$1,617	$17,981	$16,364
1-inch	1.67	2.5%	$2,700	$30,028	$27,330
1 1/2-inch	3.33	1.1%	$5,386	$59,877	$54,491
2-inch	5.33	1.4%	$8,619	$95,839	$87,220
3-inch	10.00	0.4%	$16,171	$179,810	$163,639
4-inch	16.67	0.4%	$26,956	$299,743	$272,787
6-inch	33.33	0.7%	$53,895	$599,307	$545,412
8-inch	53.33	0.0%	$86,235	$958,927	$872,692

(1) Reflects maximum safe operating water volume per AWWA M6 and increasing by meter size.

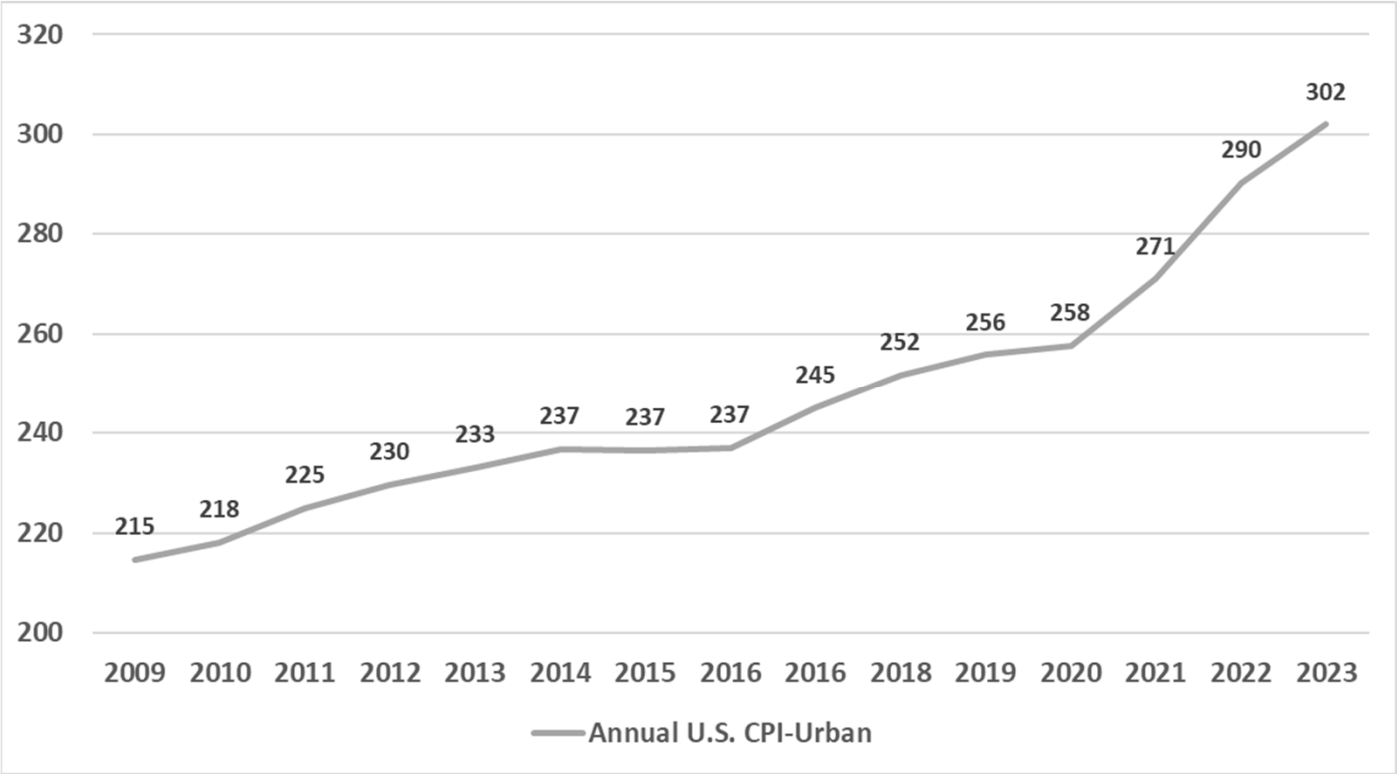
Trends Since 2009

Average Price of El Paso Home



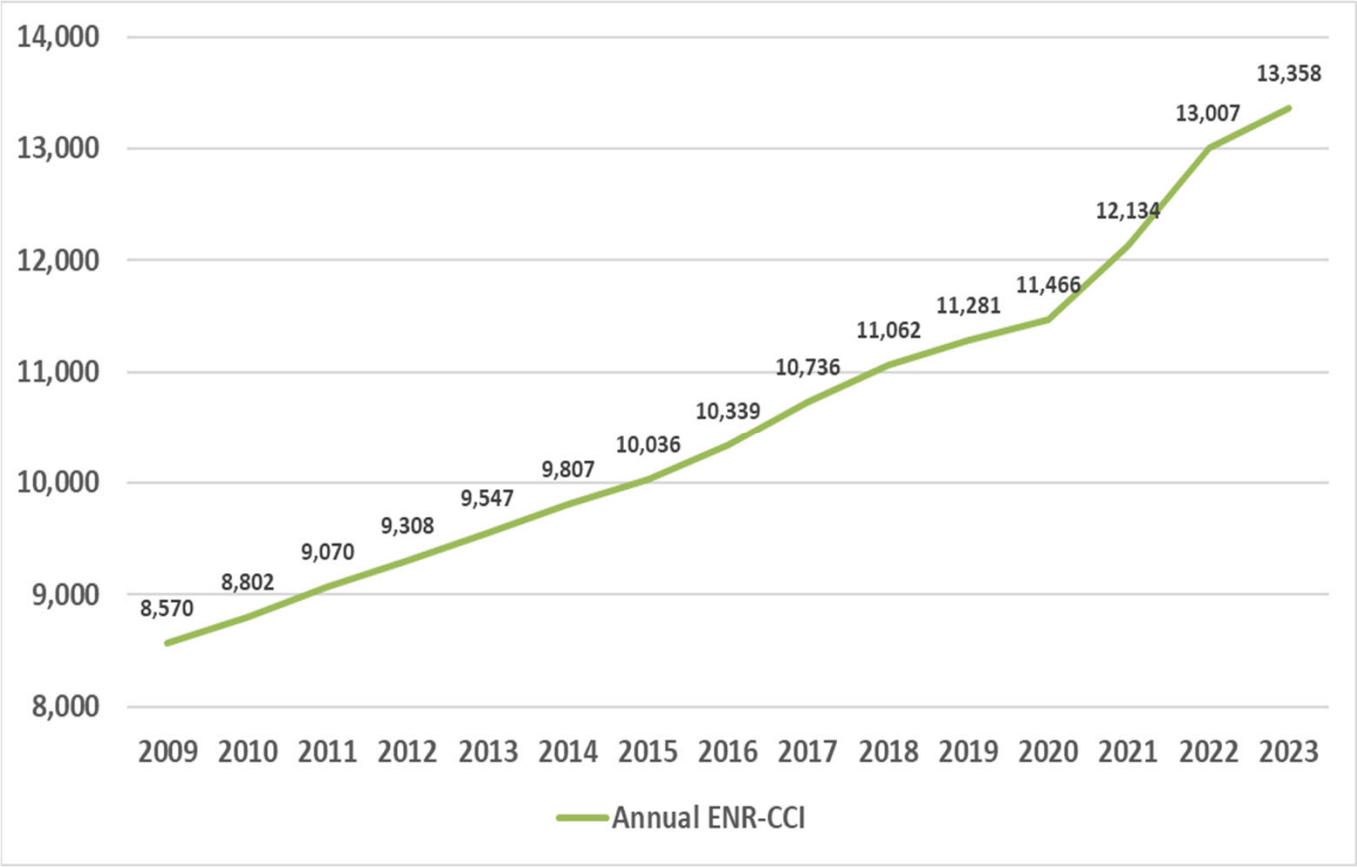
- Average home price in El Paso increased by 82% since 2009
  - 2009 price of $153,000
  - 2023 price as of October $279,000

United States Consumer Price Index (CPI-U)



- United States CPI-U increased by 41% since 2009
  - 2009 CPI-U of 215
  - 2023 CPI-U (through August) of 302

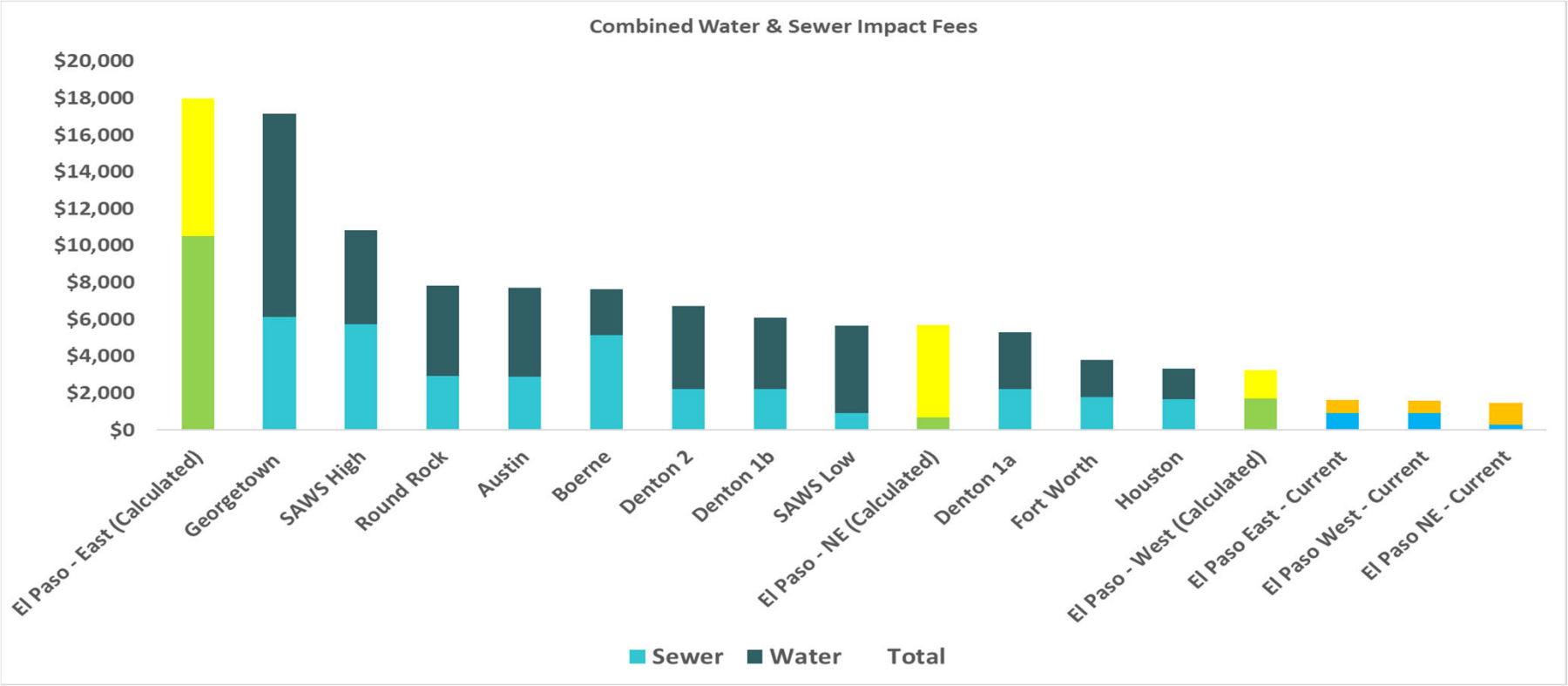
Engineering News Record 20 City Construction Cost Index (ENR-CCI)



- 20-City ENR-CCI increased by 56% since 2009
  - 2009 ENR-CCI of 8,570
  - 2023 ENR-CCI of 13,358

Calculated Fees & Community Benchmarks

Texas Benchmark



Currently, the fees are the lowest compared to local benchmark utilities

City Council Impact Fee Considerations

100% Calculated Impact Fees

2024 Detailed Calculated Fees						
Service Area	**Water**	**Wastewater**	**Total Fee Calculated**	**Total Fee (Current)**	**Variance $**	**Variance %**
Northeast	$5,012	$672	$5,684	$1,469	$4,215	287%
Westside	$1,568	$1,689	$3,257	$1,586	$1,671	105%
Eastside	$7,477	$10,504	$17,981	$1,617	$16,364	1,012%

- Estimated Impact Fee Revenue of $17.6 million annually
- Current fees averaged $2.0M annually*

* Average of impact fees collected over 3-year per of 3/1/20 – 2/28/23

Consideration 75% of Calculated Fees

2024 Detailed Calculated Fees at 75%						
Service Area	**Water**	**Wastewater**	**Total Fee Calculated**	**Total Fee (Current)**	**Variance $**	**Variance %**
Northeast	$3,759	$504	$4,263	$1,469	$2,794	190%
Westside	$1,176	$1,267	$2,443	$1,586	$857	54%
Eastside	$5,608	$7,878	$13,486	$1,617	$11,869	734%

- Estimated Impact Fee Revenue of $13.2 million annually
- Current fees averaged $2.0M annually*

* Average of impact fees collected over 3-year per of 3/1/20 – 2/28/23

Consideration of an Inflationary 56% Adjusted Fee of Adopted 2009 & Current Fee

2024 Inflationary Adjusted Fees (56% Adjustment)						
Service Area	**Water**	**Wastewater**	**Total Fee Calculated**	**Total Fee (Current)**	**Variance $**	**Variance %**
Northeast	$1,838	$454	$2,292	$1,469	$823	56%
Westside	$1,028	$1,446	$2,474	$1,586	$888	56%
Eastside	$1,087	$1,435	$2,522	$1,617	$905	56%

- Estimated Impact Fee Revenue of $3.1 million annually
- Current fees averaged $2.0M annually*

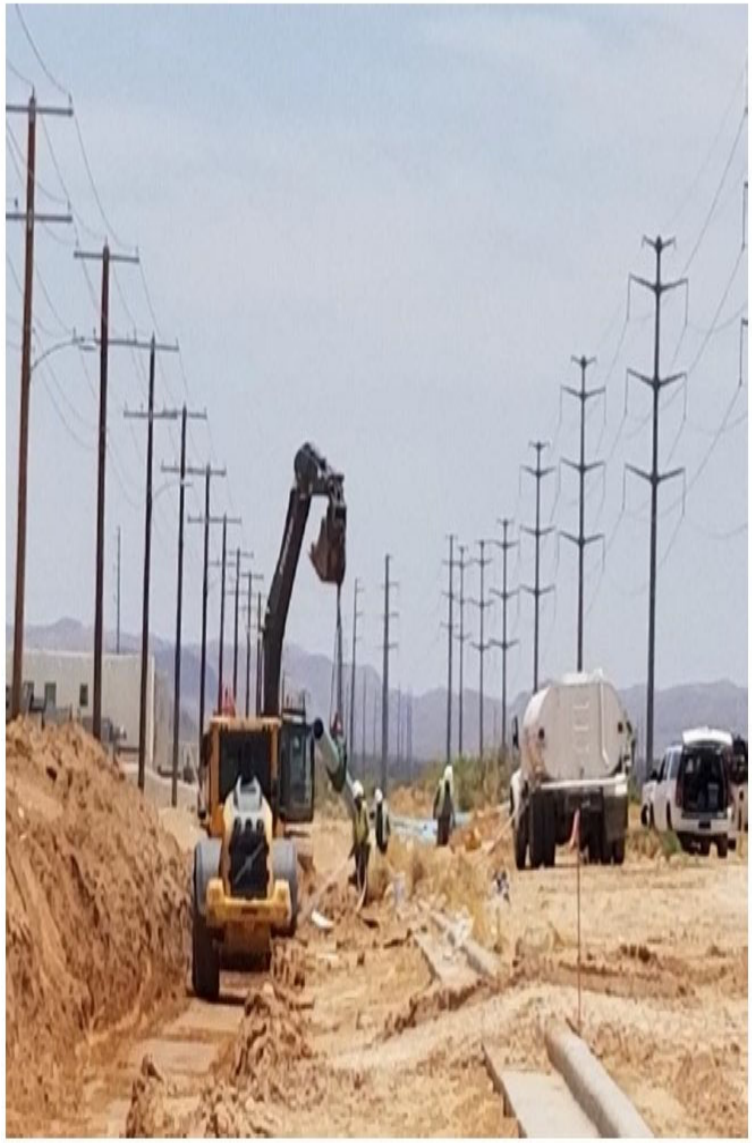
* Average of impact fees collected over 3-year per of 3/1/20 – 2/28/23

Collect $5 Million Annually from Impact Fee Revenues 150% Adjustment to Adopted 2009 & Current Fee

Impact Fees to Collect an Estimated $5 million Annually (150% Adjustment)						
Service Area	**Water**	**Wastewater**	**Total Fee Calculated**	**Total Fee (Current)**	**Variance $**	**Variance %**
Northeast	$2,945	$728	$3,673	$1,469	$2,204	150%
Westside	$1,648	$2,318	$3,966	$1,586	$2,380	150%
Eastside	$1,743	$2,300	$4,043	$1,617	$2,426	150%

- Estimated Impact Fee Revenue of $5.0 million annually
- Current fees averaged $2.0M annually*

* Average of impact fees collected over 3-year per of 3/1/20 – 2/28/23



Recommendations to City Council

Recommendations for City Council:

- Approve the Land Use Assumptions Report
- Approve the Capital Improvements Plan
- Adopt and assess Impact Fees

Next Steps & Meeting Schedule

Completed Impact Fee Meetings

Type	Description	Date
Public Service Board	Presentation on Impact Fee Study Results (Completed)	Wednesday, Dec. 13, 2023
Developer Focus Group	Debrief with group on Impact Fee Study Results (Completed)	Wednesday, Dec. 13, 2023
CIAC	Capital Improvement Advisory Committee meeting on Fee Structure	Thursday, Feb. 8, 2024
City Planning Commission	Complete Impact Fee Report, LUA, CIP, and Fee Structure	Thursday, Feb. 8, 2024

Current Impact Fee Meeting Schedule

Type	Description	Date
City Council	City Council Work Session	Monday, Feb. 26, 2024
City Council	City Council Impact Fees Resolution Ordering Public Hearing on LUA and CIP	Tuesday, Feb. 27, 2024
City Council	City Council Impact Fees Public Hearing on updated LUA and CIP	Tuesday, March 12, 2024
City Council	City Council Resolution Ordering Public Hearing on amendments to LUA, CIP, and Impact Fees	Tuesday, March 12, 2024
City Council	City Council Public Hearing on amendments to updated LUA, CIP, and Impact Fees	Tuesday, April 23, 2024
City Council	City Council Impact Fee Adoption (1st Reading)	Tuesday, April 23, 2024
City Council	City Council Impact Fee Adoption (2nd Reading)	Tuesday, May 7, 2024

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Thank you!

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